Federation of American Hospitals

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STATEMENT
of the
Federation of American Hospitals
to the U.S. House Committee on the Budget hearing:
"Reverse the Curse: Skyrocketing Health Care Costs and America's Fiscal Future"
January 21, 2026

The Federation of American Hospitals (FAH) submits the following statement for the record in advance of the United States House Committee on the Budget hearing entitled, "Reverse the Curse: Skyrocketing Health Care Costs and America's Fiscal Future." The FAH appreciates the opportunity to submit this statement for the record as the Committee examines the drivers of rising health care costs and their impacts on our economy.

As the national representative of over 1,000 leading tax-paying hospitals and health systems throughout the United States – accounting for approximately 20 percent of community hospitals nationally – the FAH appreciates the Committee's leadership in addressing the topic of health care affordability. We agree that addressing the trajectory of health care costs is essential to strengthening America's long-term economic growth —but that conversation must rely on accurate data about what is and is not driving costs, and it must distinguish between providers that deliver care and the entities that finance – and often impede – delivery of that care.

Growth in Health Insurance Premiums and Out of Pocket Costs

One of the most significant drivers of financial pressure on American families is the rapid growth in health insurance premiums. Annual premiums for employer sponsored- family health coverage reached $26,993 in 2025, a six percent increase over 2024. Hardworking Americans now pay on average $6,850 a year for their family's health insurance, and the average deductible for individual coverage has climbed to nearly $1,900.[1] This is what working families have to pay out of pocket before their insurance will even start to help.

Consumers are shouldering a growing share of these rising costs not only through premiums but also through deductibles and other forms of cost sharing. According to the Kaiser Family Foundation's Employer-Sponsored Health Insurance analysis, the average worker contribution toward employer-based insurance has climbed to roughly $1,440 annually for single coverage and $6,850 for family coverage, and a larger share of workers are enrolled in plans with higher deductibles than in prior years.[2] This trend shows both the

[1] Putting the Extraordinary Increase in ACA Premiums in 2026 in Perspective | The Commonwealth Fund
[2] Employer-Sponsored Health Insurance 101 | KFF

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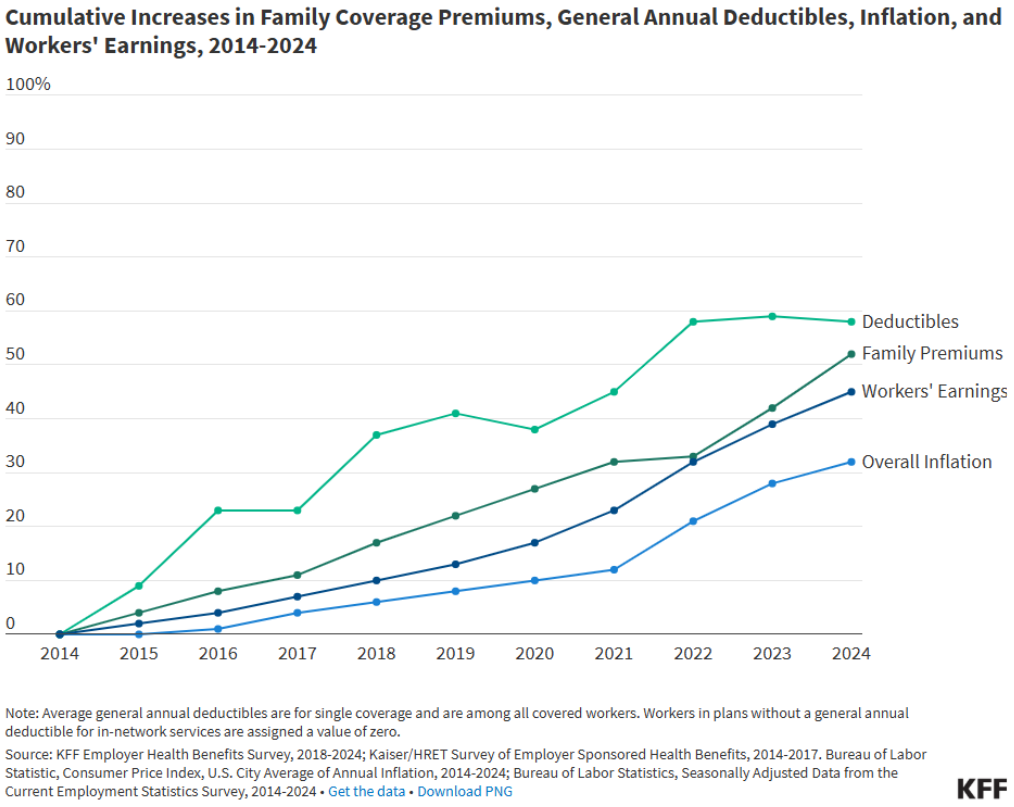
rising share of premiums paid by employees and the upward trajectory of deductibles that families must meet before insurance coverage begins. As premiums and deductibles grow, workers face higher out-of-pocket exposure at the very moment they are required to pay more just to maintain coverage, reducing disposable income and creating real affordability challenges for middle-class households.



These costs cannot be dismissed as one-off increases. In fact, family premiums grew roughly 32% from 2019 through 2025, reflecting persistent upward pressure on household budgets over the past several years.[3]

For individuals and families purchasing coverage on the Affordable Care Act marketplace, the financial strain can be even more acute. Analysts estimate 7.3 million fewer marketplace enrollees due to premium spikes and the expiration of enhanced subsidies.[4] We must strengthen the individual market and lower costs for families – and that requires an extension of the enhanced premium tax credits and appropriate oversight to ensure coverage works for patients.

Beyond rising costs to consumers, insurers have increasingly adopted practices that shift more costs and administrative hurdles onto patients and providers. As premiums escalate and administrative burdens mount, families are left paying more while navigating a system that is increasingly difficult to access.

Hospital Transparency Versus the Insurer Black Box

[3] Employer-Sponsored Health Insurance 101 | KFF
[4] Putting the Extraordinary Increase in ACA Premiums in 2026 in Perspective | The Commonwealth Fund

Hospitals have made substantial investments in transparency, complying with federal hospital price transparency rules and creating tools that allow patients to better understand their expected out-of-pocket costs, but we are only part of the equation. Meaningful affordability also depends on insurer transparency. Patients often lack clear information about their coverage, deductible status, provider networks, and cost-sharing obligations because insurer cost-sharing structures, coverage policies, and network directories remain opaque, inaccurate, or incomplete. These insurer shortcomings make it extremely difficult for hospitals to provide accurate cost estimates, even when hospitals are fully compliant with federal transparency rules. As a result, patients frequently encounter unexpected financial exposure – not because of hospital pricing, but because of insurer benefit design, prior authorization requirements, or inaccurate information regarding network status.

Insurer Administrative Burdens Raise Costs

Insurer practices also contribute substantially to rising system costs. Prior authorization requirements have expanded dramatically across both public and private plans, delaying care and increasing administrative overhead without improving clinical outcomes. Medicare Advantage (MA) plans alone processed nearly 50 million prior authorization requests in 2023, and federal oversight has shown that many denials involved care that met Medicare coverage standards. Denials result in repeated appeals, diversion of clinical staff time, prolonged inpatient stays, and delayed transitions to post-acute care—each of which increases overall spending. These practices raise costs for hospitals and the Medicare program while undermining the patient experience.

Chronic Hospital Underpayment

In contrast, hospitals continue to operate under increasing financial strain. Medicare reimburses hospitals below the cost of care, and many rural hospitals operate at continual deficits. In its most recent payment adequacy discussions, MedPAC reported that Medicare fee-for--service hospital margins remain negative at –12.1%.[5] Hospital closures and service reductions occur not because of excessive prices, but because reimbursement rates from both public and private payers fail to reflect the rising costs required to maintain essential services, especially 24/7 emergency and critical care.

Any discussion of affordability must recognize the role that taxpaying hospitals play as essential community infrastructure—paying state and local taxes, serving as major employers, delivering emergency care, trauma services, disaster response, and providing more charity care than the national average, all without the access to federal programs available to other hospitals. These central community services cannot be replaced by any other part of the health system and require sustainable, predictable funding.

Conclusion

The Federation urges the Committee to recognize that improving affordability requires a balanced assessment of all cost drivers. Policymakers should examine the rapid escalation of insurance premiums, the growth of out-of-pocket obligations, the administrative overhead associated with insurer practices, and the effect of insurer consolidation and benefit design on patient access and total spending. Hospitals stand

[5] Medicare and the Health Care Delivery System | MedPAC, June 2025

ready to partner with Congress to improve affordability and transparency for patients, but reforms must ensure that hospitals have the resources necessary to provide high-quality care, maintain essential services, and meet federal transparency expectations while insurers are held equally accountable for their role in determining costs and access.

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The FAH thanks the Committee for its attention to this critical issue and stands ready to continue working with policymakers to ensure that patients can access affordable, high-quality care and that federal policy supports the long-term viability of the nation's health care infrastructure.